

**GREENE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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GREENE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2005 Election)

Sara Zimmerman	President	2006
Jeff Lindell	Vice President	2005
Robb Holtz		2006
Stanley Cousins		2005
Troy Feldman		2007

(After September, 2005 Election)

Sara Zimmerman	President	2006
Jeff Lindell	Vice President	2008
Robb Holtz		2006
Gary Hatcher		2008
Troy Feldman		2007

SCHOOL OFFICIALS

Steve Ward	Superintendent
Jan Trees	District Secretary
John Barth	District Treasurer

Independent Auditor's Report

To the Board of Education of the
Greene Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Greene Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Greene Community School District as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 26, 2006 on our consideration of Greene Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 30 through 31 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greene Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

July 26, 2006

GREENE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Greene Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,878,268 in fiscal 2005 to \$3,086,695 in fiscal 2006 (a 7% increase), while General Fund expenditures increased from \$2,938,462 in fiscal year 2005 to \$3,005,925 in fiscal 2006 (a 2% percent increase).
- The increase in General Fund revenues was primarily attributable to increased state aid. The increase in expenses was due to normal payroll increases. Discretionary spending was carefully monitored in order to maintain the General Fund balance.
- The General Fund balance increased by over \$82,000 from fiscal 2005 to Fiscal 2006. Catch up in state aid from sharing and careful monitoring of discretionary spending had the greatest impact.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide *financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the *short term*, as well as, what remains for future spending.
- The statement for *proprietary funds* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Greene Community School District

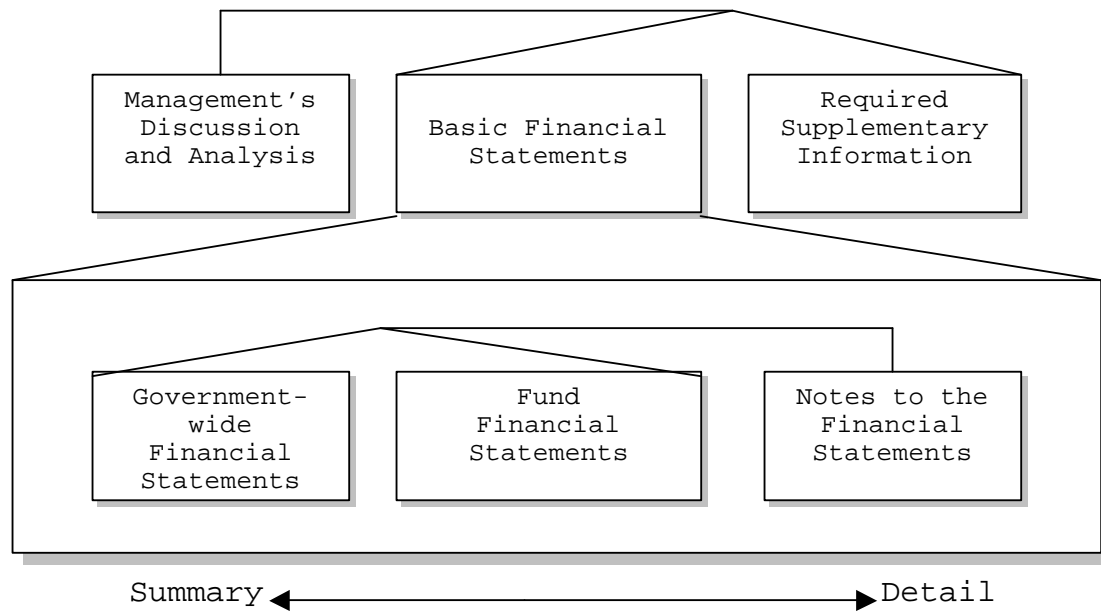


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	<ul style="list-style-type: none"> . Statement of Net Assets . Statement of Activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> . Statement of Net Assets . Statement of Revenues, Expenses and Changes in Net Assets . Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Statements

The two government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2006 compared to 2005.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2005-2006
	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	%
Current assets	3,228	2,963	11	14	3,239	2,977	8.09%
Capital assets	3,955	4,090	6	6	3,961	4,096	-3.41%
Total assets	<u>7,183</u>	<u>7,053</u>	<u>17</u>	<u>20</u>	<u>7,200</u>	<u>7,073</u>	<u>1.76%</u>
Current liabilities	1,545	1,545	-	-	1,545	1,545	0.00%
Non-current liabilities	3,350	3,495	-	-	3,350	3,495	-4.33%
Total liabilities	<u>4,895</u>	<u>5,040</u>	<u>-</u>	<u>-</u>	<u>4,895</u>	<u>5,040</u>	<u>-2.96%</u>
Net Assets							
Invested in capital assets, net of related debt	605	595	6	6	611	601	1.64%
Restricted	1,044	879	-	-	1,044	879	15.80%
Unrestricted	<u>639</u>	<u>539</u>	<u>11</u>	<u>14</u>	<u>650</u>	<u>553</u>	<u>14.92%</u>
Total net assets	<u>2,288</u>	<u>2,013</u>	<u>17</u>	<u>20</u>	<u>2,305</u>	<u>2,033</u>	<u>11.80%</u>

The District's combined net assets were greater than at June 30, 2006 than June 30, 2005. The increase in restricted net assets occurred primarily as a result of local option sales tax collections from Butler County (the majority of the students reside in Butler County) that began in 2004. The unrestricted net assets increased as a result of sharing monies and cost control measures.

Changes in net assets - Figure A-4 shows the changes in net assets for the year ended June 30, 2006 and 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
	\$	\$	\$	\$	\$	\$	%
Revenues:							
Program revenues:							
Charges for service and sales	382	341	98	93	480	434	10.60%
Operating grants, contributions and restricted interest	573	507	56	65	629	572	9.97%
General revenues:							
Property tax	1,514	1,477	-	-	1,514	1,477	2.51%
Local option sales tax	171	161	-	-	171	161	6.21%
Unrestricted state grants	1,256	1,157	-	-	1,256	1,157	8.56%
Unrestricted investment earnings	14	7	-	-	14	7	100.00%
Other	20	37	-	-	20	37	<u>-45.95%</u>
Total revenues	<u>3,930</u>	<u>3,687</u>	<u>154</u>	<u>158</u>	<u>4,084</u>	<u>3,845</u>	<u>6.22%</u>
Program expenses:							
Governmental activities:							
Instruction	1,975	1,969	-	-	1,975	1,969	0.30%
Support Services	1,197	1,059	-	-	1,197	1,059	13.03%
Non-instructional programs	-	12	158	160	158	172	-8.14%
Other expenses	485	458	-	-	485	458	<u>5.90%</u>
Total expenses	<u>3,657</u>	<u>3,498</u>	<u>158</u>	<u>160</u>	<u>3,815</u>	<u>3,658</u>	<u>4.29%</u>
Change in net assets	<u>273</u>	<u>189</u>	<u>(4)</u>	<u>(2)</u>	<u>269</u>	<u>187</u>	<u>43.85%</u>

Property tax, local option sales tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,930,201 and expenses were \$3,656,904. In a difficult budget year the District balanced the budget by reducing discretionary spending and seeking out alternative revenue sources such as grants. Whole grade sharing with Allison-Bristow is allowing for future cost savings as well as limited additional funding from the state.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
 (expressed in thousands)

	Total Cost of Services		Net Cost of Services		Net Change
	2006	2005	2006	2005	2005-06
	\$	\$	\$	\$	%
Instruction	1,975	1,969	1,147	1,249	-8.17%
Support Services	1,197	1,059	1,182	1,036	14.09%
Non-instructional programs	-	12	-	12	-100.00%
Other expenses	<u>485</u>	<u>458</u>	<u>372</u>	<u>353</u>	<u>5.38%</u>
Totals	<u>3,657</u>	<u>3,498</u>	<u>2,701</u>	<u>2,650</u>	<u>1.92%</u>

- The cost financed by users of the District's programs was \$381,831.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$272,064.
- The net cost of governmental activities was financed with \$1,501,059 in property tax, \$1,255,964 in state foundation aid, \$170,746 in local option sales tax and \$14,938 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$154,411 and expenses were \$158,248. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted the Greene Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,286,876, 14% above last year's ending fund balances of \$2,013,579. This is primarily a result of the collection of local option sales tax in Butler County.

Governmental Fund Highlights

- The District's General Fund balance was increased due to a combination of increased state revenues and cost containment measures.
- The District is collecting local option sales tax money from Butler and Floyd Counties.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 30 and 31.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$34,000 more than the total budgeted receipts, a variance of less than 1%. The most significant change resulted in the District receiving less in various components of state aid than originally anticipated. This was offset somewhat by higher than anticipated revenue from local sources.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2006, the District has invested more than \$5,750,000. In a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$190,000.

Long - Term Debt

The District has \$3,350,000 in general obligation bonds from the construction of a secondary school building. These bonds have an average interest rate of 4.55%. They will be paid off over the next 14 years with previously approved property tax levies.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District is in a two way sharing program with the Allison-Bristow Community School District. This has resulted in some cost savings.
- The District will continue to seek out new sources of revenue, such as At-Risk Allowable Growth, Instructional Support Levy, and other grants that may be available for additional revenues.
- Future enrollment stability is a critical element in maintaining a sound financial foundation. Enrollment is currently declining and projects to continue to do so. This fact coupled with decreased state funding obviously does not bode well for the District's financial health. This decrease in funding will dramatically affect the General fund cash and unspent balances, along with having a negative affect on personnel and programming offered by the District.
- The District will begin sharing a superintendent with the Rudd-Rockford-Marble Rock Community School District.

- Iowa law requires that unsettled salary negotiations for teachers to mandatory arbitration. Invariably arbitrated settlement are higher than current levels of allowable growth in funding. Employee wage and benefit settlements exceeding the growth rate in State funding will continued to force the District to consider additional budget reductions to balance the General Fund budget.
- Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. No Child Left Behind, Student Achievement, Teacher Quality Act, and GASB 34 to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve Ward, Superintendent, Greene Community School District, 208 North Fourth Street, Greene, IA 50636.

Basic Financial Statements

GREENE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	1,569,935	3,440	1,573,375
Receivables:			
Property tax:			
Current year	23,495	-	23,495
Succeeding year	1,528,556	-	1,528,556
Due from other governments	96,808	-	96,808
Interest receivable	8,652	-	8,652
Other receivables	486	-	486
Inventories	-	6,903	6,903
Capital assets, net of accumulated depreciation (note 3)	<u>3,954,661</u>	<u>6,270</u>	<u>3,960,931</u>
Total assets	<u>7,182,593</u>	<u>16,613</u>	<u>7,199,206</u>
Liabilities			
Accounts payable	4,230	-	4,230
Accrued interest payable	12,931	-	12,931
Deferred revenue:			
Succeeding year property tax	1,528,556	-	1,528,556
Long term liabilities:			
Portion due within one year:			
General obligation bonds	155,000	-	155,000
Portion due after one year:			
General obligation bonds	<u>3,195,000</u>	<u>-</u>	<u>3,195,000</u>
Total liabilities	<u>4,895,717</u>	<u>-</u>	<u>4,895,717</u>
Net Assets			
Invested in capital assets, net of related debt	604,661	6,270	610,931
Restricted for:			
Management levy	80,855	-	80,855
67 1/2 cent schoolhouse levy	135,575	-	135,575
Physical plant and equipment levy	255,512	-	255,512
Debt service	9,026	-	9,026
Capital projects	562,607	-	562,607
Unrestricted	<u>638,640</u>	<u>10,343</u>	<u>648,983</u>
Total net assets	<u>2,286,876</u>	<u>16,613</u>	<u>2,303,489</u>

See notes to financial statements.

GREENE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:	<u>1,975,446</u>	<u>381,769</u>	<u>446,632</u>	<u>(1,147,045)</u>	<u>-</u>	<u>(1,147,045)</u>
Support services:						
Student services	55,335	-	-	(55,335)	-	(55,335)
Instructional staff services	81,630	-	-	(81,630)	-	(81,630)
Administration services	496,673	-	-	(496,673)	-	(496,673)
Operation and maintenance of plant services	335,163	-	14,363	(320,800)	-	(320,800)
Transportation services	<u>227,743</u>	<u>62</u>	<u>-</u>	<u>(227,681)</u>	<u>-</u>	<u>(227,681)</u>
	<u>1,196,544</u>	<u>62</u>	<u>14,363</u>	<u>(1,182,119)</u>	<u>-</u>	<u>(1,182,119)</u>
Other expenditures:						
Facilities acquisition	60,677	-	8,704	(51,973)	-	(51,973)
Long term debt service interest	159,819	-	1,300	(158,519)	-	(158,519)
Long term debt services	400	-	-	(400)	-	(400)
AEA flowthrough	102,479	-	102,479	-	-	-
Depreciation (unallocated)*	<u>161,539</u>	<u>-</u>	<u>-</u>	<u>(161,539)</u>	<u>-</u>	<u>(161,539)</u>
	<u>484,914</u>	<u>-</u>	<u>112,483</u>	<u>(372,431)</u>	<u>-</u>	<u>(372,431)</u>
Total governmental activities	3,656,904	381,831	573,478	(2,701,595)	-	(2,701,595)

GREENE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
	\$	\$	\$	\$	\$	\$
Business type activities:						
Non-instructional programs						
Nutrition services	158,248	98,280	56,131	-	(3,837)	(3,837)
Total	<u>3,815,152</u>	<u>480,111</u>	<u>629,609</u>	<u>(2,701,595)</u>	<u>(3,837)</u>	<u>(2,705,432)</u>
General revenues:						
Property tax levied for:						
General purposes				1,041,646	-	1,041,646
Management Fund				61,462	-	61,462
Capital outlay				91,738	-	91,738
Debt service				306,213	-	306,213
Public education and recreation				12,565	-	12,565
School Infrastructure Local Option Sales Tax				170,746	-	170,746
Unrestricted state grants				1,255,964	-	1,255,964
Unrestricted investment earnings				14,938	-	14,938
Other				19,620	-	19,620
Total general revenue				<u>2,974,892</u>	<u>-</u>	<u>2,974,892</u>
Change in net assets				273,297	(3,837)	269,460
Net assets beginning of year, as restated				<u>2,013,579</u>	<u>20,450</u>	<u>2,034,029</u>
Net assets end of year				<u>2,286,876</u>	<u>16,613</u>	<u>2,303,489</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See accompanying independent auditor's report.

GREENE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash	521,280	4,317	490,955	251,847	301,536	1,569,935
Receivables:						
Property tax:						
Current year	16,230	4,709	-	1,429	1,127	23,495
Succeeding year	1,120,181	241,468	-	94,337	72,570	1,528,556
Due from other governments	29,628	-	67,180	-	-	96,808
Interest receivable	1,944	-	4,472	2,236	-	8,652
Other receivables	486	-	-	-	-	486
Total assets	<u>1,689,749</u>	<u>250,494</u>	<u>562,607</u>	<u>349,849</u>	<u>375,233</u>	<u>3,227,932</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	4,037	-	-	-	193	4,230
Deferred revenue:						
Succeeding year property tax	1,120,181	241,468	-	94,337	72,570	1,528,556
Total liabilities	<u>1,124,218</u>	<u>241,468</u>	<u>-</u>	<u>94,337</u>	<u>72,763</u>	<u>1,532,786</u>
Fund balances:						
Reserved for:						
Debt service	-	9,026	-	-	-	9,026
Capital projects	-	-	562,607	-	-	562,607
Unreserved	565,531	-	-	255,512	302,470	1,123,513
Total fund balances	<u>565,531</u>	<u>9,026</u>	<u>562,607</u>	<u>255,512</u>	<u>302,470</u>	<u>1,695,146</u>
Total liabilities and fund balances	<u>1,689,749</u>	<u>250,494</u>	<u>562,607</u>	<u>349,849</u>	<u>375,233</u>	<u>3,227,932</u>

See notes to financial statements.

GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (Exhibit C)	\$ 1,695,146
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,954,661
Accrued interest on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,931)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds	<u>(3,350,000)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 2,286,876</u></u>

See notes to financial statements.

GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources						
Local tax	1,041,646	306,213	170,746	91,738	72,499	1,682,842
Tuition	381,769	-	-	-	-	381,769
Other	33,140	1,062	8,704	13,601	176,740	233,247
State sources	1,487,566	238	-	72	57	1,487,933
Federal sources	142,574	-	-	-	-	142,574
Total revenues	<u>3,086,695</u>	<u>307,513</u>	<u>179,450</u>	<u>105,411</u>	<u>249,296</u>	<u>3,928,365</u>
Expenditures:						
Instruction	<u>1,817,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,156</u>	<u>1,975,446</u>
Support services						
Student services	55,335	-	-	-	-	55,335
Instructional staff services	81,630	-	-	-	-	81,630
Administration services	496,673	-	-	-	-	496,673
Operation and maintenance of plant services	288,370	-	-	27,448	73,720	389,538
Transportation services	164,148	-	-	35,132	-	199,280
	<u>1,086,156</u>	<u>-</u>	<u>-</u>	<u>62,580</u>	<u>73,720</u>	<u>1,222,456</u>

GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2006

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Other expenditures:						
Facilities acquisition and construction services	-	-	27,571	19,645	13,461	60,677
Long term debt service						
Principal	-	145,000	-	-	-	145,000
Interest	-	160,242	-	-	-	160,242
Services	-	400	-	-	-	400
AEA flowthrough	102,479	-	-	-	-	102,479
	<u>102,479</u>	<u>305,642</u>	<u>27,571</u>	<u>19,645</u>	<u>13,461</u>	<u>468,798</u>
Total expenditures	<u>3,005,925</u>	<u>305,642</u>	<u>27,571</u>	<u>82,225</u>	<u>245,337</u>	<u>3,666,700</u>
Excess (Deficiency) of revenues over (under) expenditures	80,770	1,871	151,879	23,186	3,959	261,665
Other financing sources:						
Sale of equipment	<u>1,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,836</u>
Net change in fund balances	82,606	1,871	151,879	23,186	3,959	263,501
Fund balances beginning of year	<u>482,925</u>	<u>7,155</u>	<u>410,728</u>	<u>232,326</u>	<u>298,511</u>	<u>1,431,645</u>
Fund balances end of year	<u>565,531</u>	<u>9,026</u>	<u>562,607</u>	<u>255,512</u>	<u>302,470</u>	<u>1,695,146</u>

See notes to financial statements.

GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2006

Net change in fund balances - total governmental funds (Exhibit E) \$ 263,501

**Amounts reported for governmental activities in the
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	54,375	
Depreciation expense	<u>(190,002)</u>	(135,627)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

423

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

145,000

Change in net assets of governmental activities (Exhibit B)

\$ 273,297

See notes to financial statements.

GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>98,280</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	60,281
Benefits	8,026
Services	1,115
Supplies	88,334
Depreciation	<u>492</u>
Total operating expenses	<u>158,248</u>
Operating (loss)	<u>(59,968)</u>
Non-operating revenues:	
Interest on investments	36
State sources	2,033
Federal sources	<u>54,062</u>
	<u>56,131</u>
Change in net assets	(3,837)
Net assets beginning of year	<u>20,450</u>
Net assets end of year	<u><u>16,613</u></u>

See notes to financial statements.

GREENE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	98,280
Cash payments to employees for services	(68,307)
Cash payments to suppliers for goods or services	<u>(74,808)</u>
Net cash provided by (used in) operating activities	<u>(44,835)</u>
Cash flows from non-capital financing activities:	
State grants received	2,033
Federal grants received	<u>41,146</u>
Net cash provided by non-capital financing activities	<u>43,179</u>
Cash flows from investing activities:	
Interest on investments	<u>36</u>
Net (decrease) in cash and cash equivalents	(1,620)
Cash and cash equivalents beginning of year	<u>5,060</u>
Cash and cash equivalents end of year	<u><u>3,440</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(59,968)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	492
Commodities used	12,916
Decrease in inventory	<u>1,725</u>
	<u><u>(44,835)</u></u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>3,440</u></u>
Non-cash investing, capital and financing activities:	

During the year ended June 30, 2006, the District received federal commodities valued at \$12,916.

See notes to financial statements.

GREENE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Greene Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Greene, Iowa, and agricultural territory in Butler and Floyd Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board.

A. Reporting Entity

For financial reporting purposes, Greene Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Greene Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Butler and Floyd County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statement:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability is deemed to be immaterial at June 30, 2006.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2006.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>103,600</u>	<u>-</u>	<u>-</u>	<u>103,600</u>
Capital assets being depreciated:				
Buildings	4,670,089	-	-	4,670,089
Improvements other than buildings	129,711	-	-	129,711
Furniture and Equipment	<u>845,421</u>	<u>54,375</u>	<u>-</u>	<u>899,796</u>
Total capital assets being depreciated	<u>5,645,221</u>	<u>54,375</u>	<u>-</u>	<u>5,699,596</u>
Less accumulated depreciation for:				
Buildings	996,600	90,370	-	1,086,970
Improvements other than buildings	100,932	2,763	-	103,695
Furniture and Equipment	<u>561,001</u>	<u>96,869</u>	<u>-</u>	<u>657,870</u>
Total accumulated depreciation	<u>1,658,533</u>	<u>190,002</u>	<u>-</u>	<u>1,848,535</u>
Total capital assets being depreciated, net	<u>3,986,688</u>	<u>(135,627)</u>	<u>-</u>	<u>3,851,061</u>
Governmental activities, capital assets, net	<u>4,090,288</u>	<u>(135,627)</u>	<u>-</u>	<u>3,954,661</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	11,074	-	-	11,074
Less accumulated depreciation	<u>4,312</u>	<u>492</u>	<u>-</u>	<u>4,804</u>
Business type activities capital assets, net	<u>6,762</u>	<u>(492)</u>	<u>-</u>	<u>6,270</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

28,463
161,539
190,002

Business Type activities:

Food service operations

492

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$101,728, \$98,456, and \$97,360 respectively, equal to the required contributions for each year.

(5) Risk Management

Greene Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$102,479 for year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	<u>Bonds Payable</u>
Balance beginning of year	\$3,495,000
Additions	-
Reductions	<u>145,000</u>
Balance end of year	<u>\$3,350,000</u>

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Principal \$</u>	<u>Interest \$</u>	<u>Total \$</u>
2007	3.50	155,000	155,167	310,167
2008	5.00	165,000	149,743	314,743
2009	5.00	175,000	141,492	316,492
2010	5.00	180,000	132,743	312,743
2011	4.80	195,000	123,742	318,742
2012	4.15	200,000	114,383	314,383
2013	4.25	210,000	106,082	316,082
2014	4.375	220,000	97,158	317,158
2015	4.50	230,000	87,532	317,532
2016	4.60	240,000	77,183	317,183
2017	4.70	250,000	66,142	316,142
2018	4.80	260,000	54,393	314,393
2019	4.80	275,000	41,912	316,912
2020	4.80	290,000	28,713	318,713
2021	4.85	<u>305,000</u>	<u>14,792</u>	<u>319,792</u>
Total		<u>3,350,000</u>	<u>1,391,177</u>	<u>4,741,177</u>

(8) Contingencies

The District is involved in litigation involving an accident that occurred at the school involving a private individual. District legal counsel has informed us that no probable outcome could be determined, but that the District's liability insurance should be adequate to cover any adverse verdict. Because of the uncertainty of a probable outcome, no liability has been recognized in the financial statements.

Required Supplementary Information

GREENE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,297,858	98,316	2,396,174	1,964,513	1,964,513	431,661
State sources	1,487,933	2,033	1,489,966	1,632,879	1,632,879	(142,913)
Federal sources	142,574	54,062	196,636	177,046	177,046	19,590
Total revenues	<u>3,928,365</u>	<u>154,411</u>	<u>4,082,776</u>	<u>3,774,438</u>	<u>3,774,438</u>	<u>308,338</u>
Expenditures:						
Instruction	1,975,446	-	1,975,446	2,020,400	2,020,400	44,954
Support services	1,222,456	-	1,222,456	1,402,423	1,402,423	179,967
Non-instructional programs	-	158,248	158,248	240,000	240,000	81,752
Other expenditures	468,798	-	468,798	907,483	907,483	438,685
Total expenditures	<u>3,666,700</u>	<u>158,248</u>	<u>3,824,948</u>	<u>4,570,306</u>	<u>4,570,306</u>	<u>745,358</u>
Excess (deficiency) of revenues over (under) expenditures	261,665	(3,837)	257,828	(795,868)	(795,868)	1,053,696
Other financing sources (uses)	<u>1,836</u>	<u>-</u>	<u>1,836</u>	<u>-</u>	<u>-</u>	<u>1,836</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	263,501	(3,837)	259,664	(795,868)	(795,868)	1,055,532
Balance beginning of year	<u>1,431,645</u>	<u>20,450</u>	<u>1,452,095</u>	<u>1,338,007</u>	<u>1,338,007</u>	<u>114,088</u>
Balance end of year	<u><u>1,695,146</u></u>	<u><u>16,613</u></u>	<u><u>1,711,759</u></u>	<u><u>542,139</u></u>	<u><u>542,139</u></u>	<u><u>1,169,620</u></u>

See accompanying independent auditor's report.

GREENE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

GREENE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2006

	Management	Student Activity	67 1/2 Cent Schoolhouse Levy	Public Education and Recreation Levy	Total
	\$			\$	\$
Assets					
Cash	79,921	86,040	135,575	-	301,536
Property tax receivable:					
Current year	934	-	-	193	1,127
Succeeding year	60,000	-	-	12,570	72,570
Interest receivable	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>140,855</u>	<u>86,040</u>	<u>135,575</u>	<u>12,763</u>	<u>375,233</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	-	-	193	193
Deferred revenue:					
Succeeding year property tax	60,000	-	-	12,570	72,570
	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>12,763</u>	<u>72,763</u>
Unreserved fund balances	80,855	86,040	135,575	-	302,470
	<u>80,855</u>	<u>86,040</u>	<u>135,575</u>	<u>-</u>	<u>302,470</u>
Total liabilities and fund balances	<u>140,855</u>	<u>86,040</u>	<u>135,575</u>	<u>12,763</u>	<u>375,233</u>

See accompanying independent auditor's report.

GREENE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2006

	Management	Student Activity	67 1/2 Cent Schoolhouse Levy	Public Education and Recreation Levy	Total
	\$			\$	\$
Revenues:					
Local sources:					
Local tax	59,934	-	-	12,565	72,499
Other	1,528	174,579	633	-	176,740
State sources	47	-	-	10	57
Total revenues	<u>61,509</u>	<u>174,579</u>	<u>633</u>	<u>12,575</u>	<u>249,296</u>
Expenditures:					
Instruction:					
Regular instruction	-	-	-	-	-
Co-curricular instruction	-	158,156	-	-	158,156
Support services:					
Plant operation and maintenance	61,145	-	-	12,575	73,720
Student transportation	-	-	-	-	-
Other expenditures:					
Facilities acquisition and construction	-	-	13,461	-	13,461
Total expenditures	<u>61,145</u>	<u>158,156</u>	<u>13,461</u>	<u>12,575</u>	<u>245,337</u>
Excess (deficiency) of revenues over (under) expenditures	364	16,423	(12,828)	-	3,959
Fund balances beginning of year	<u>80,491</u>	<u>69,617</u>	<u>148,403</u>	<u>-</u>	<u>298,511</u>
Balance end of year	<u>80,855</u>	<u>86,040</u>	<u>135,575</u>	<u>-</u>	<u>302,470</u>

See accompanying independent auditor's report.

GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Athletics	(14,732)	111,343	89,239	7,372
District Football	6	-	-	6
Science Club	1,769	706	530	1,945
Cheerleaders	123	5,255	5,873	(495)
Junior Concessions	1,265	6,616	7,641	240
Athletic Concessions	13	12,117	12,130	-
Magazines	11,197	-	1,055	10,142
FFA	1,140	-	-	1,140
Home Ec Club	188	325	336	177
National Honor Society	2,042	1,734	1,948	1,828
Library	676	655	706	625
Music	2,697	3,467	4,236	1,928
Industrial Tech	988	1,692	19	2,661
Science	5,308	87	-	5,395
Math	4,104	87	-	4,191
Drama/Speech	2,598	1,029	810	2,817
Annual	9,803	17,577	17,519	9,861
Student Council	3,695	3,148	3,871	2,972
MS Student Council	1,617	-	-	1,617
School Store	1,099	142	544	697
Elementary	3,255	3,679	4,029	2,905
High School	201	233	195	239
Insurance	10	-	-	10
Dues/Fees	2,559	226	1,777	1,008
Hi Fi	19,221	361	26	19,556
Jump Rope for Heart	370	-	-	370
Class of 2007	3,035	3,980	4,614	2,401
Class of 2008	2,444	80	152	2,372
Class of 2001	348	-	-	348
Class of 2002	402	-	-	402
Class of 2003	596	-	-	596
Class of 2005	1,464	-	750	714
Class of 2006	116	40	156	-
	<u>69,617</u>	<u>174,579</u>	<u>158,156</u>	<u>86,040</u>

See accompanying independent auditor's report.

GREENE COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2006	2005	2004	2003
	\$	\$	\$	\$
Local sources:				
General	1,041,646	1,021,157	1,053,298	968,346
Special revenue	72,499	149,420	165,519	156,412
Debt service	306,213	305,336	301,218	284,830
Capital projects	<u>170,746</u>	<u>160,605</u>	<u>13,849</u>	<u>-</u>
	<u>1,591,104</u>	<u>1,636,518</u>	<u>1,533,884</u>	<u>1,409,588</u>
State sources:				
General	1,487,566	1,370,353	1,262,549	1,359,519
Special revenue	57	114	133	135
Debt service	238	248	239	254
School nutrition	<u>2,033</u>	<u>2,059</u>	<u>2,371</u>	<u>2,511</u>
	<u>1,489,894</u>	<u>1,372,774</u>	<u>1,265,292</u>	<u>1,362,419</u>
Federal sources:				
General	142,574	121,516	92,353	65,382
Special revenue	-	-	-	25,000
Capital projects	-	-	416,187	-
School nutrition	<u>54,062</u>	<u>50,959</u>	<u>57,923</u>	<u>51,613</u>
	<u>196,636</u>	<u>172,475</u>	<u>566,463</u>	<u>141,995</u>
Total	<u>3,277,634</u>	<u>3,181,767</u>	<u>3,365,639</u>	<u>2,914,002</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Board of Education of the
Greene Community School District:

Compliance

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Greene Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statement listed in the table of contents, and have issued our report thereon date July 26, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greene Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 06-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether, Greene Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Greene Community School District and other parties to whom Greene Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Greene Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

July 26, 2006

GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

06-I-A Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa such makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - Over the years the district has looked at various ways of dividing duties. As a result, responsibilities of individuals have been altered. We will, however, continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

06-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.

06-II-B Certified Budget - Expenditures for the year ended June 30, 2006, did not exceed the amounts budgeted.

06-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

06-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

06-II-E Business Transactions - No Business transactions between the District and District officials or employees were noted.

06-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

- 06-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 06-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 06-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 06-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.